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## ANALYSIS

# Senior Partners Approach \$3,000 an Hour, As More Billing Rate Hikes

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About 16 Am Law 50 firms have third-year associates with rates over \$1,000, but Valeo Partners project around half of the Am Law 50 to have rates of over \$1,000 for this group of lawyers by 2025.

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🕒 5 minute read



By Mimi Lamarre



By Andrew Maloney

Editorial

## What You Need to Know

- More big firms are going to approach hourly rates of \$3,000 for partners and \$1,000 for associates, according to new data from Valeo Partners.
- Am Law 25 to 30 firms will have standard rate increases of 10% to 13% in the new year, per the data.
- An increase in M&A activity, fierce competition for lateral partners and firm mergers are helping to push up rates, observers say.

Some Am Law 50 firms will increase billing rates substantially in 2025, with expectations that some senior partners will approach \$3,000 an hour and more associates will bill over \$1,000 an hour.

More demand in M&A and transactional practices, as well as law firm mergers and increasing demand to pay top-performing talent, are pushing billing rates higher, some observers say.

According to data from Valeo Partners, which analyzes public disclosure documents to discern upcoming rate changes, senior partners at "a few

firms" will have standard rates approaching \$3,000, and a few might exceed that marker.

Valeo Partners declined to name the firms. However, some recent bankruptcy fee packages reveal some firms are close to the \$3,000 mark already. Wilson Sonsini Goodrich Rosati billed \$2,720 an hour this year for top partners in the Rite-Aid bankruptcy. McDermott Will & Emery was charging top partners out at \$2,590 hourly at the end of 2023 in the Mountain Express Oil Co. bankruptcy.

More firms will reveal their 2025 rate increases in bankruptcy court toward the end of the year.

In the Am Law 25 to 30 as a whole, Chuck Chandler, the CEO of Valeo Partners, projected that in 2025, there will be standard rate increases of about 10% to 13%.

The expected rate hikes represent an increase from 2023, when a cohort of 10 Am Law 50 firms announced rate increases of between 8% and 10% in bankruptcy court filings. The same group of firms raised rates between 10% and 15% in early 2023.

Standard billing rates are expected to increase in the Am Law 50 to \$2,100 for senior partners and \$1,900 for partners, per the Valeo data.

Rate increases are projected to be highest amongst senior partners, or those who have 25 years or more since their law school graduations, according to Chandler. Nine of the Am Law 50 firms currently have senior partner standard hourly rates of around \$2,400 to \$2,875, while 17 will be in that range by 2025, he said.

At the same time, discounts are not expected to increase, but, instead, will stay steady at around 12% to 13%, according to Valeo.

For associates, rate increases will be more notable among third-years. Currently, 16 of the Am Law 50 firms have third-year associates with rates

over \$1,000, but Valeo projects around half of the Am Law 50 to have rates of over \$1,000 amongst this group by 2025.

Billing rates for first-year associates are approaching \$1,000 at a handful of firms, with Paul, Weiss, Rifkind, Wharton & Garrison charging a minimum of \$895 for associates in 2024, bankruptcy records show. Sullivan & Cromwell charges nearly as much—\$850 hourly—for first-years.

Sullivan & Cromwell and Paul Weiss also have among the top rates for senior associates, with associates maxing out at \$1,575 at Sullivan & Cromwell and \$1,560 at Paul Weiss.

Some of the rate increases won't even wait until 2024 — they are happening next month. Two large law firms in the Am Law 30, along with four other firms in the Am Law 200, will change their firm-wide hourly rates effective October 1, 2024, Chandler said, again declining to name which ones.

Overall, rate hikes will be most dependent "on what happens with M&A, because that's going to be a huge driver" of rate increases, said Chandler in an interview.

A spate of law firm mergers could also contribute to rate increases into next year, he said. As it stands, more law firm mergers, both domestically and across borders, are expected into 2025, as firms compete harder than ever to scale.

Along similar lines, the cost of talent is also driving the billing rates calculus, as Big Law firms have zeroed in on high-profile, money-making lateral partners in 2024. Jennifer McIver, director of legal operations/industry insights for ELM Solutions and author of a report this month about law firm rate increases, noted the projected rates for partners and associates are not a surprise because of the cost now to retain and attract talent.

"In order to keep that profit margin you're going to have to have that retention [of talent], and the more people are willing to pay for it, the law firms are going to push for that," she said.

She said whether that trend breaks depends, at least in part, on whether corporate legal departments begin moving even more work to lower-cost firms or ask their firms to cap things like the rates they can charge for their associates' time. "So, it comes down to that push and pull," she said.

## 2024 Rate Growth

Firms are building off their rate hikes in the last year. According to Wells Fargo Legal Specialty Group's survey data, average standard rates rose by 8.8% year-over-year in the first half of 2024.

Rate growth continues to be the primary contributor to revenue growth, the bank said in August.

The report this month from Wolters Kluwer ELM Solutions also noted the median billing rate increase across the industry last year jumped from 1.9% to 4.0%, and that halfway through 2024, high-priced practices like finance and securities, real estate and corporate had notched mean rate increases of over 8%. The bankruptcy and collections practice area is trending with the highest increase, with a 2024 year-to-date mean rate increase of 10.4%, according to the report.

While there are "early signs" the pace of billing rate hikes writ-large may slow due to more active client pushback and transactional uncertainty, according to another report last week, firms may also become even more reliant on those rates to maintain profitability in the event of an economic slowdown.

*Dan Roe contributed to this report.*

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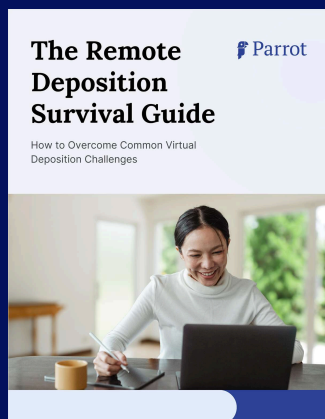
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